

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201742031**
Release Date: 10/20/2017
Date: **July 26, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B= Program
C= Program
D= Name
E= School name
F= School Name
G= School Name
H= State
J= Name

UIL: 4945.04-04

x dollars= Amount
y dollars= Amount
z= Number

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your request

Your letter indicates you will operate two scholarship programs called B and C. Under both B and C, you will award scholarships to high school graduates who currently are in foster care, or who have experienced foster care at some time in their lives to help pay for their study at an educational organization described in Section 170(b)(1)(A)(ii) of the Code. You plan to fund B at a level of up to approximately x dollars each year, which would allow up to z students per class to receive a maximum of y dollars per year as long as they remain in good standing at a qualifying institution of higher education. The specific amount of the scholarship awarded will depend on the student's needs and financial assistance available from other sources. Although the goal is to provide significant aid to scholarship recipients, the amount is not intended to cover the full cost of tuition. You have not made any specific funding plans for C, but you expect the availability and amount of scholarships to be calculated similarly to B.

Under B, you will award scholarships to successful participants of D, a mentoring organization for students who are in foster care, were formerly in foster care, or are wards of H. D is exempt under Section 501(c)(3) of the Code. D's program starts during the students' junior year in high school and provides support to these students by preparing them for the ACT and SAT, by assisting them in applying to college, by securing financial aid, and by helping them stay focused on their course work during college. Candidates for the scholarships under B are required to attend either E in H or to participate in J, a program run in coordination with F and G wherein students earn a two-year associate degree from F or G and subsequently transfer to E to finish a bachelor's degree. You will publicize B through D's program and through the schools participating in that program. To be eligible for scholarships granted by B a student must be a graduating student at an H high school who is participating in B's program and planning to attend E or one of the two-year institutions participating in J.

Under C, you plan to provide scholarships to fostered students who have not participated in D's program and are low-income or otherwise disadvantaged students. Candidates for the scholarships granted by C are required to attend any two or four-year degree granting educational institutions in H. You will publicize C through counselors and administrators at H high schools and colleges, and/or through written public announcements published on web sites and various other resources. To be eligible for scholarships under C, a student is required to be a graduating student at an H high school and is in foster care, was formerly in foster care, is a ward of H, or who has otherwise experienced hardship placing him/her at a disadvantage for achieving success in college.

Recipients of B will be chosen based on financial need by a selection committee consisting of college personnel knowledgeable about education and familiar with B. Recipients of C will be chosen based on criteria including financial need and academic achievement by a selection committee consisting of persons with knowledge of C and interest in serving the identified disadvantaged student populations. For both B and C if a selection committee member resigns, a replacement will be selected by the remaining committee members.

You have not identified selection committee members but none of your employees or disqualified persons with respect to you will participate on the selection committees. No relatives of any of the members of the selection committees will be eligible to receive grants under B or C. No person who is a "disqualified person" with respect to you will be eligible for a grant.

Scholarship recipients of B and C must remain enrolled and in good academic standing at a degree-granting institution of post-secondary education to be eligible for a renewal of the scholarship grant for subsequent years of enrollment. Recipients under B must also maintain regular contact with their D coaches.

Under both B and C, scholarships will be paid directly to the schools with instructions that schools must use the funds solely for the purpose of the scholarship. You will require the schools and/or the students to provide transcripts showing enrollment in good academic standing.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements